

To : Hamish Maxwell

cc. TG, WTM, GEK, FHD,
JRH, LR, CW, MJ,
(PM EEC);
R.W.Murray, T.M.Kearns,
L.Pollak, R.L.Snyder,
K.Haley (PMI).

FLASH FOR WEEK ENDING JUNE 10, 1983

I. LEGAL

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1. EEC

- a) There has been no communication from the EEC following the meeting with Andriessen on May 10.
- b) The replacement of L. Briet in F. Andriessen's cabinet will be Jean-Francois Verstringer, a Belgian lawyer who has previously been in DG4 and the legal service. He is believed to be aggressive in wanting to use Art. 85 as a means of merger control.
- c) J. Du Plessis has advised on June 9 that Rembrandt cannot accept our proposal to undo RTH and give them a trust over our shares. The reason given is the desire to retain RTH as a buffer keeping PM from becoming closer to RI.

2. GERMANY

- a) The Gutowski and Muller economic opinions were filed with the Kammergericht on May 30 1983.
- b) R.J. Reynolds filed a brief on May 27 with the Kammergericht rebutting the PM/Rembrandt brief. The RJR brief includes supplementary opinions by Prof. Kaufer (economic considerations) and Turner (US jurisdiction).
- c) Counsel for Reemtsma filed a short supplemental brief on June 2 commenting on recent market developments, explaining them as a brief upheaval that will sort itself out in a short time.

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- d) On June 6 the FCO filed a supplementary brief commenting on market conditions for the period January to April 1983 and on the new PM/RG agreement. Attached to the brief was copy of a short note sent by the FCO to the South African Embassy responding to the South African Note of October 1982.
- e) On June 8, BAT filed a one-page brief requesting that the PM/Rembrandt/RI appeal be rejected with costs.
- f) The program for the proceedings, which will start on June 13, was agreed at a meeting with Mrs Werner, President of the Cartel Section of the Kammergericht on Thursday, June 2 and it will be as follows:
1. International Law Questions

Our experts commenting on this section will be Prof. E. Lauterpacht, Prof. I. Brownlie, Prof. Wildhaber and Prof. Dr. R. Bernhardt. It is understood Professors Meessen and Mann will represent RJR on these questions. The FCO will be represented by Niederleitinger and Markert, among others.
 2. German Conflicts of Law Questions

As an expert on this section we will use Prof. W. Fikentscher.
 3. Market and Competition Considerations

We plan to make a full presentation, as well as call on the experts Professors Berg and Muller to give evidence. RJR will probably present Kaufer.
 4. German Constitutional and Administration Law Questions

It is expected that the International Law and German Conflicts portions will take 1 1/2 to 2 days, the Market and Competition section will take 1 1/2 to 2 days, and the German Constitutional Law Questions and the Summing up will take place on the fourth day.
- f) We have been informed that the South African Government, through their Embassy in Bonn, will deliver a Note to the Court on Monday, objecting to the FCO assertion of extraterritorial jurisdiction, and will probably have an observer present.

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- g) We have also been informed that the UK Department of Trade is preparing a Note objecting to Germany's application of "effects doctrine" to establish its jurisdiction over a UK transaction. Certified copy of the note will be delivered by RI to the Court on Monday morning.
- h) The US State Department has appointed Mr. John Jurecky, of the U.S. Mission in Berlin as an observer to the oral hearing. We have been in contact with him, and will arrange to brief him on the case.
- i) Preparations have taken place all week in Frankfurt and London for the hearings, in which all the lawyers and the experts participated.

II. OPERATIONS

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1. EXPANDED TOBACCO

During J. Kraus' recent visit to Carreras Rothmans' expansion plant at Peterlee, Dr. G. Bunton requested further help from PM's process engineers. PM has agreed to give this assistance and a suitable date will be arranged.

2. QUALITY ASSURANCE

Mr. F.J.G. Kenaghan of CR has requested a discussion of Q.A. procedures at Neuchatel between Messrs. M. Elias and T. Watson of CR and PME personnel. PM has also agreed to this request. A date has not yet been fixed.

3. TURMAC

It has been announced that Turmac have agreed to reduce their employees work week by one hour as from October.

4. TABACOFINA

- a) Tabacofina were approached to see if they would produce our BYO brands for the Belgian market. In principal they are willing to do so but have asked for a 5 year contract and BF 120/kg conversion cost. The price is high and it is not believed we can reach agreement.

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- b) Tabacofina have been told that the price of D.F1 23 per 1000 they have asked for Contract Manufacture of Chesterfield for France is too high and is unacceptable. This matter will be further discussed.

III. PLANNING

1. REMBRANDT LICENSE FOR CHESTERFIELD AND L&M IN SOUTH AFRICA

Rembrandt have given FTR formal notice under the terms of the license agreement that they wish to exercise their option to renew the licenses for Chesterfield and L&M for an additional period of 10 years from April 1, 1984.

2. PIPE TOBACCO LICENSE - U.S.A.

T. Roux advised on June 3 that the present sub-license from Larus to Pinkerton expires on December 31st, 1983. RG wishes to transfer the sub-license to Lane, a Dunhill subsidiary. However, Lane is planning to move to Atlanta, and will not be capable of accepting the sub-license prior to end 1984. RG thus wishes to extend the Pinkerton agreement till that time. RG requested PM's views and agreement to the above.

EH replied on June 10 advising T. Roux as follows:

- PM is entitled to become the licensee of these marks, and wishes to exercise its right.
- PM will be ready to sub-license Pinkerton till end 1984, and subsequently Lane.
- PM will collect the 30 cents per lbs. royalty now paid by Pinkerton to Larus. PM will in turn pay RG a royalty of 10 c. per lbs.
- A separate RG/PM pipe tobacco agreement will be signed.
- Such agreement will become invalid if the main PM/RG license agreement cannot be signed in time.

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IV. FINANCIAL

1. UNIT VOLUME

T. Roux advised that RI's unit volume for April 1983 was down 11% compared with April 1982. He blamed the shortfall mainly on Germany as well as some March loadings in other markets.

2. DUNHILL RESULTS

A brief announcement was made of Dunhill's results for the year to March 1983. Turnover increased to Pounds 86.8 million from Pounds 72.9 million, partly due to exchange gains but also due to increased sales of gift products in the Far East. Pre-tax profit increased to Pounds 6.26 million from Pounds 5.2 million.

Sales + 19%
Pre Tax + 20%

3. RI SHARE PRICE

RI shares jumped 7p to 115p on June 7. The London "Times" quoted rumors of South African buyers purchasing over 2 million shares and mentioned Rembrandt as a likely bidder. Further investigation shows that the scale of buying has been exaggerated although there may have been some buying from South Africa. T. Roux has advised that RG were not the buyers.

4. "BENCHMARK STUDY"

We have been advised that a "Benchmark" survey for the U.S.A. Department of Commerce will have to be completed for each RI company which meets certain size limitations. We are unable to complete these surveys from our records and RI will have to be approached to obtain their assistance in order to complete the survey. There could be as many as 80 companies involved, and the information requested is most voluminous.

5. TABACOFINA

Roux has advised that there have no further developments on the proposal that Tabacofina acquire an interest in N.V. Spadel, Belgium, soft drink and mineral water suppliers.

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6. CARTIER

It has been confirmed by Roux and Klarmann that there have been discussions on the possibility of Cartier becoming quoted on the London Stock Market. The reason is to give the other shareholders an opportunity to sell if they should wish. There are no plans to proceed in the near future.

7. RI

The 1982/83 figures are expected to be announced after a Board Meeting on July 12. Latest indications are that the net profit will exceed Pounds 165 million.

The 1983/84 Budget has not yet been finalised due to uncertainty of the German situation.

8. BRINKMANN

We have been informed that discussions may start soon with Alleghenny on the possibility of Brinkmann (or RI ?) purchasing from them 40% of Wilkinson Sword for \$ 70 million

9. ROTHMANS INDUSTRIES - NEW ZEALAND

Rothmans New Zealand, who held 34-1/2% of Ballin and Rettray, retail and wholesale company in the liquor industry, have increased their holding to 50% at a cost of NZ\$ 1.25 million.

V. GENERAL

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1. CARLING O'KEEFE

T. Roux advised that following the resignation of A. Gillespie, there are no immediate plans to replace him as Chairman. R. McInnes will act as Chairman in the meantime. 4 new directors have recently been elected and in time one of them may be appointed chairman.

It is not intended to replace Gillespie on the RI Board, given the presence of one Canadian (Devlin) already.

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2. SHARE PRICES

Weeks of	MAY 27, 1983	JUNE 3, 1983
Rothmans International (Pounds)	107p	105p
RI convertible Pounds/Bonds (DM)	3647	3627
Dunhill (Pounds)	360p	358p
Carrolls (Irish Pounds)	88p	86p
Tabacofina (BF)	2750	2750
RPM Canada (Can.\$)		
- Common	43	46
- Preferred B	14-1/4	14
Carling O'Keefe (Can.\$)		
- Common	17-1/2	19-1/4
- Preferred A	24	23
RPM Australia (Aust.\$)	7.00	
Rothmans Industries, N.Z. (NZ\$)	1.95	
RPM Malaysia (Sing.\$)	3.14	3.10
Rothmans Industries Ltd (Sing.\$)	2.18	2.19

Regards.

E. Houminer

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